



**UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON GOVERNMENT REFORM — MINORITY STAFF  
SPECIAL INVESTIGATIONS DIVISION  
MAY 2006**

---

## **THE IMPACT OF HIGH GASOLINE PRICES IN WESTERN WISCONSIN**

---

**PREPARED FOR**

**REP. RON KIND**

**TABLE OF CONTENTS**

---

Executive Summary

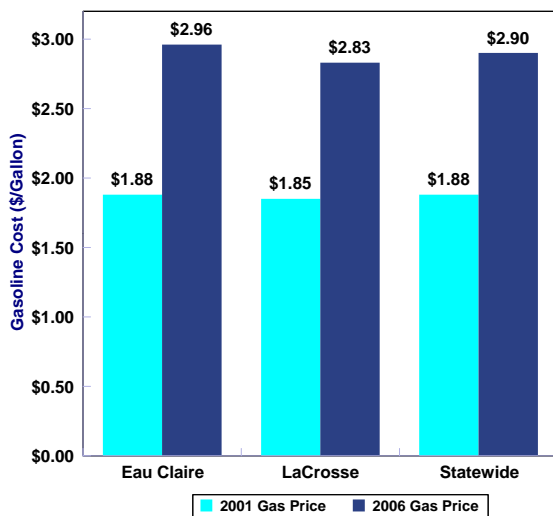
Background .....	1
Purpose and Methodology .....	2
Findings.....	3
Gasoline Prices in Western Wisconsin Have Increased Rapidly .....	3
High Gasoline Prices Will Cost Western Wisconsin Drivers Millions of Dollars .....	5
High Gasoline Prices Will Cost Individual Families Thousands of Dollars .....	6
Conclusion .....	7

## EXECUTIVE SUMMARY

Five years ago, on May 16, 2001, President Bush and Vice President Cheney unveiled the Administration's new energy plan. Five years later, over 95% of the recommendations in the energy plan have been implemented. Yet Americans continue to face rising energy costs, while the nation's dependence on foreign oil reaches record levels.

At the request of Rep. Ron Kind, this report analyzes what has happened in western Wisconsin to the cost of one key energy source — gasoline — since the release of the Administration's energy plan. It finds that:

**Western Wisconsin gasoline prices have risen rapidly.** Average gasoline prices in Wisconsin have increased for four straight years. Gasoline that cost \$1.88 per gallon in May 2001 costs \$2.90 per gallon today. This price increase is over five times faster than the rate of inflation. Prices have increased by 57% in the Eau Claire area and by 53% in the La Crosse area.



**High gas prices are costing Wisconsin drivers over three billion dollars.** In 2006, Wisconsin families will use an estimated 2.7 billion gallons of gasoline — and will pay a total of \$3.1 billion more for this gasoline than they would have paid in 2001. In the Eau Claire area, high gas prices will cost drivers almost \$53 million extra; in the La Crosse area, the high gas prices will cost drivers almost \$45 million.

**The high prices will cost Wisconsin families almost \$1,600.** The average two-car family in Wisconsin will pay almost \$1,600 more for gasoline this year than they would have paid in 2001. In the Eau Claire area, the average family will pay over \$1,200 more than in 2001; in the La Crosse area, the average family will pay almost \$1,300 more than in 2001.

### Impact of Increased Gasoline Prices on Wisconsin Families

Region	Annual Aggregate Cost Increase	Annual Cost Increase Per Family
Eau Claire	\$53 million	\$1,250
La Crosse	\$44 million	\$1,290
<b>Statewide</b>	<b>\$3.1 billion</b>	<b>\$1,580</b>

## BACKGROUND

---

In 2000, Texas Governor George W. Bush made energy policy an important plank of his campaign for President. He released a “Comprehensive National Energy Policy” which asserted that America was “paying a steep price” under the Clinton Administration’s energy policy.<sup>1</sup> And he stated:

Let me put this plainly: oil consumption is increasing. Our production is dropping. Our imports of foreign oil are skyrocketing. And this Administration has failed to act.<sup>2</sup>

On January 29, 2001, just nine days after his inauguration, President Bush placed Vice President Cheney in charge of a task force to develop a new national energy policy.<sup>3</sup> Over the next three and a half months, the Vice President’s energy task force developed an energy policy largely in secret. According to the Government Accountability Office, the task force met with “petroleum, coal, nuclear, natural gas, and electricity industry representatives and lobbyists.”<sup>4</sup> The task force did not have any substantive meeting with environmental or energy conservation advocates.

On May 16, 2001, President Bush and Vice President Cheney released the national energy policy assembled by the Vice President’s task force.<sup>5</sup> In announcing the energy plan, the President asserted: “If we fail to act on this plan, energy prices will continue to rise. . . . If we fail to act, our country will become more reliant on foreign crude oil, putting our national energy security into the hands of foreign nations.”<sup>6</sup>

The Administration’s energy policy included 105 recommendations.<sup>7</sup> Virtually all of these have now been implemented. In March 2005, Energy Secretary

---

<sup>1</sup> Governor George W. Bush, *A Comprehensive National Energy Policy* (Sept. 29, 2000).

<sup>2</sup> *Id.*

<sup>3</sup> White House, *Remarks by the President at Energy Policy Meeting* (Jan. 29, 2001) (online at <http://www.whitehouse.gov/news/releases/20010129-1.html>).

<sup>4</sup> U.S. General Accounting Office, *Energy Task Force: Process Used to Develop the National Energy Policy* (Aug. 2003) (GAO/03-894).

<sup>5</sup> White House, *Remarks by the President to Capital City Partnership* (May 17, 2001) (online at <http://www.whitehouse.gov/news/releases/2001/05/20010517-2.html>).

<sup>6</sup> White House, *supra* note 5.

<sup>7</sup> Congressional Research Service, *Bush Energy Policy: Overview of Major Proposals and Legislative Action*, 2 (Aug. 22, 2001) (online at <http://www.fas.org/spp/civil/crs/RL31096.pdf>).

Bodman stated: “we have implemented 95 percent of those recommendations.”<sup>8</sup> Four months later, Congress passed energy legislation that enacted the recommendations that required new legislation.

When President Bush signed the energy legislation into law, he claimed that “the Energy Policy Act of 2005 is going to help every American who drives to work, every family that pays a power bill, and every small business owner hoping to expand.”<sup>9</sup> Republican congressional leaders made similar promises. Dennis Hastert, the Speaker of the House, claimed that the bill would “addres[s] the burden that higher gasoline prices place on American consumers,” “alleviate” high natural gas prices, and guarantee the American people “an affordable, reliable, efficient, and environmentally sound supply of energy.”<sup>10</sup>

### PURPOSE AND METHODOLOGY

---

At the request of Rep. Kind, who represents the 3rd Congressional District of Wisconsin in the U.S. House of Representatives, this report analyzes what has happened to gasoline prices in Rep. Kind’s district and in Wisconsin since the Bush Administration’s energy policy was announced on May 16, 2001. Rep. Kind’s congressional district is located in western Wisconsin, and includes the communities of Eau Claire, La Crosse, and Menomonie.

The report relies primarily on data and analysis published by the Oil Price Information Service (OPIS) and the U.S. Energy Information Administration (EIA). OPIS is a private firm that publishes daily information on gasoline prices in U.S. metropolitan regions. EIA is an independent agency of the U.S. Department of Energy that publishes annual information on gasoline prices and projections of future gasoline prices.

The report also uses data from the Federal Highway Administration that tracks fuel usage and driving patterns at the state and local level. This data is used to estimate total gasoline usage for the state and for its metropolitan areas. Total changes in spending on gasoline are determined by multiplying the estimated change in gasoline prices between 2001 and 2006 by the estimated amount of gasoline that will be used in the state and its metropolitan areas.

---

<sup>8</sup> White House, *Ask the White House Interactive Forum with Samuel Bodman* (Mar. 9, 2005) (online at <http://www.whitehouse.gov/ask/20050309.html>).

<sup>9</sup> White House, *President Signs Energy Policy Act* (Aug. 8, 2005) (online at <http://www.whitehouse.gov/news/releases/2005/08/20050808-6.html>).

<sup>10</sup> *Statement of Speaker of the House Dennis Hastert*, Congressional Record at H6960 (Jul. 28, 2005).

FINDINGS

---

### Gasoline Prices in Western Wisconsin Have Increased Rapidly

Over the last five years, the price of gasoline in Wisconsin has risen rapidly. In May 2001, when President Bush and Vice President Cheney announced the Administration's energy policy, gasoline prices in Wisconsin were \$1.63 per gallon.<sup>11</sup>

This week, the average price of gasoline in the state is \$2.90 per gallon, a near record.<sup>12</sup> This is 54% higher than gasoline prices five years ago. The increase in gasoline prices over the last five years has been over five times higher than the core inflation rate, which increased by 10.7% over this same period.<sup>13</sup>

Western Wisconsin drivers have seen similar price increases. In the Eau Claire area, gasoline prices have increased by 57%, from \$1.88 per gallon in May 2001<sup>14</sup> to \$2.96 per gallon today.<sup>15</sup> In the La Crosse area, gasoline prices have increased by 53%, from \$1.85 per gallon in May 2001<sup>16</sup> to \$2.83 per gallon today.<sup>17</sup> Figure 1.

---

<sup>11</sup> Energy Information Administration, *Gasoline Prices by Formulation, Grade, Sales Type: Wisconsin Retail Gasoline Sales by All Sellers* (2006).

<sup>12</sup> AAA, *Daily Fuel Gauge Report* (May 24, 2006) (online at [www.fuelgaugereport.com](http://www.fuelgaugereport.com))

<sup>13</sup> Bureau of Labor Statistics, *Consumer Price Index, All Urban Consumers, All Items Less Food and Electricity* (May 2006).

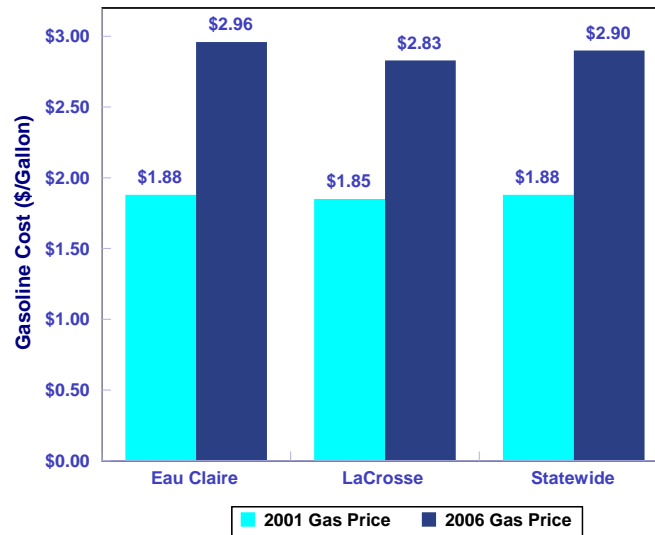
<sup>14</sup> Oil Price Information Service, *Weekly Metropolitan Area Gasoline Prices* (2001).

<sup>15</sup> AAA, *supra* note 12.

<sup>16</sup> Oil Price Information Service, *supra* note 14.

<sup>17</sup> AAA, *supra* note 12.

**Figure 1: Western Wisconsin Gasoline Prices Have Increased Rapidly**



Wisconsin gasoline prices have now increased for four consecutive years. In May 2002, one year after President Bush announced his energy policy, gasoline cost an average of \$1.48 per gallon in the state. Average costs increased to \$1.56 in May 2003, \$2.00 in May 2004, \$2.17 in May 2005, and \$2.90 this month. Figure 2.

**Figure 2: Western Wisconsin Gasoline Prices Have Increased For Four Straight Years**



## High Gasoline Prices Will Cost Western Wisconsin Drivers Millions of Dollars

The U.S. Energy Information Administration has predicted that gasoline prices will remain at or near record high levels through the summer, making 2006 the third consecutive year of record prices.<sup>18</sup> Overall, EIA predicts that the nationwide average gasoline prices in 2006 will be \$2.62 per gallon, \$1.16 per gallon higher than prices in 2001. These cost increases will have a major financial impact on Wisconsin families.

Statewide, Wisconsin drivers will use an estimated 2.7 billion gallons of gasoline in 2006.<sup>19</sup> This gasoline will cost drivers \$358 million more per month than it would have cost five years ago. This represents an annual cost increase of \$3.1 billion.

Approximately 1.7% of the gasoline used in Wisconsin is used in the Eau Claire area.<sup>20</sup> If gasoline prices in the region are \$1.16 per gallon higher in 2006 than they were five years ago, increased gasoline prices will cost Eau Claire drivers an additional \$4.4 million monthly compared to what they would have paid in 2001. Over the full year, the increased cost for Eau Claire drivers would be \$53 million.

Approximately 1.4% of the gasoline used in Wisconsin is used in the La Crosse area.<sup>21</sup> If gasoline prices in the region are \$1.16 per gallon higher in 2006 than they were five years ago, increased gasoline prices will cost La Crosse drivers an additional \$3.7 million monthly compared to what they would have paid in 2001. Over the full year, the increased cost for La Crosse drivers would be \$45 million.

---

<sup>18</sup> Energy Information Administration, *U.S. Energy Prices: Base Case* (May 2006).

<sup>19</sup> The latest statewide data available from the Federal Highway Administration is for 2004. This data shows that drivers in Wisconsin purchased 2.6 million gallons of gasoline in 2004. FHWA, *2004 Monthly Motor Fuel Use Reported by States* (Nov. 2004). According to the Energy Information Administration, gasoline use will increase by approximately 2% between 2004 and 2006. Energy Information Administration, *supra* note 15. A 2% increase in gasoline use in Wisconsin would result in the state's drivers using 2.7 million gallons of gasoline in 2006.

<sup>20</sup> The Federal Highway Administration estimates that 1.7% of all vehicle miles traveled in Wisconsin are in the Eau Claire area. Federal Highway Administration, *Highway Statistics, 2003* (2005).

<sup>21</sup> The Federal Highway Administration estimates that 1.4% of all vehicle miles traveled in Wisconsin are in the La Crosse area. Federal Highway Administration, *Highway Statistics, 2003* (2005).



## High Gasoline Prices Will Cost Individual Families Thousands of Dollars

There are 3.9 million drivers in Wisconsin.<sup>22</sup> On a per-driver basis, the increased gasoline prices will cost the average driver in the state approximately \$790 more this year than the average driver would have spent for the same quantity of gasoline five years ago. An average two-car family in the state will spend an additional \$1,580 on gasoline during 2006.

There are an estimated 84,000 drivers in the Eau Claire area.<sup>23</sup> On a per-driver basis, the increased gasoline prices will cost the average driver in the area approximately \$625 more in fuel costs this year than five years ago. An average two-car family in the region will spend an additional \$1,250 on gasoline this year.

There are an estimated 69,000 drivers in the La Crosse area.<sup>24</sup> On a per-driver basis, the increased gasoline prices will cost the average driver in the area approximately \$650 more in fuel costs this year than five years ago. An average two-car family in the region will spend an additional \$1,300 on gasoline this year. Table 1.

<b>Table 1: Impact of Increased Gasoline Prices on Wisconsin Families</b>		
<b>Region</b>	<b>Annual Aggregate Increased Cost</b>	<b>Annual Cost Increase Per Family</b>
Eau Claire	\$53 million	\$1,250
La Crosse	\$44 million	\$1,300
<b>Statewide</b>	<b>\$3.1 billion</b>	<b>\$1,580</b>

<sup>22</sup> Federal Highway Administration, *Highway Statistics, 2004* (2005).

<sup>23</sup> Federal Highway Administration data show that there are 710 registered drivers for every 1,000 individuals in Wisconsin. *Id.* Assuming this ratio applies to the population of the Eau Claire area, which is 119,000, there would be 84,000 drivers in the Eau Claire area.

<sup>24</sup> Federal Highway Administration data show that there are 710 registered drivers for every 1,000 individuals in Wisconsin. *Id.* Assuming this ratio applies to the population of the La Crosse area, which is 97,000, there would be 69,000 drivers in the La Crosse area.

## CONCLUSION

---

President Bush and Vice President Cheney released the Administration's energy policy on May 16, 2001. This analysis of gas prices in Wisconsin finds that in the five years since this policy was unveiled, gasoline prices in the state have gone up by 54%, over five times faster than the inflation rate. As a result of these rapid price increases, Wisconsin families will pay an estimated \$3.1 billion more for gasoline this year than they would have in 2001. The average family in Wisconsin will pay \$1,580 more for gasoline this year than five years ago.